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C O N F I D E N T I A L SECTION 01 OF 02 USUN NEW YORK 002268

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TAGS: [AORC](#) [UNGA](#) [KUNR](#)
SUBJECT: SCALE OF ASSESSMENTS: PREPARING FOR STATUS QUO
SOLUTION

REF: A. USUN 02184

[B.](#) USUN 02208
[C.](#) USUN 02217
[D.](#) USUN 02227
[E.](#) USUN 02262

Classified By: Classified By: Amb. Mark Wallace
Reasons 1.4 (b) and (d).

[1.](#) SUMMARY AND COMMENT: On December 14, the Fifth Committee (Administrative and Budgetary) resumed its consideration of the draft resolution of the scale of assessments during informal informal consultations. Progress in the Fifth Committee towards finding consensus on the scale has come to a standstill, with the Group of 77 and China, European Union, and Japan continuing to press, without bending, on their respective proposals (reftels). The Russian Federation, allying itself with the G-77, keeps pushing for a status quo solution to the scale. Mexico, also vocal during the last informal informal consultation (ref e), offered a new consensus proposal that incorporated a bit of all other proposals in an effort to move forward. It called for maintaining the six and three-year base period, slight changes to the low per capita income adjustment (LPCIA) gradients, and a debt burden adjustment based on the debt stock approach currently used.

[2.](#) (C) SUMMARY AND COMMENT CONTINUED: Contrary to several Committee member wishes, the Coordinator (Iran) said the final scale session would be scheduled for the entire day of December 20. The Coordinator made clear that he intends to complete scales by the Secretariat-imposed UNGA deadline of December 21. Perhaps, a firm deadline might finally force Committee members to find consensus on the issue. As an aside, Ambassador Wallace met with Ambassador Kumalo (South Africa) on December 14 to discuss the issue. Indications were -- off the record -- that the G-77 would be happy if the current methodology was retained, with inclusion of the G-77 proposal for large scale-to-scale increases. END SUMMARY AND COMMENT.

Informal Informal: More of the Same

[3.](#) During informal informal consultations on the night of December 14, the Coordinator (Iran) reviewed all outstanding issues for the Committee. He noted there was ad hoc agreement on the debt burden adjustment to continue using the "debt stock" approach. Issues without agreement, however, were the base period, the low per capita income adjustment (LPCIA), ceiling, and annual recalculation. Once again, there was spirited debate between Finnish Ambassador Gronberg

(on behalf of the European Union) and South Africa (on behalf of the Group of 77 and China). Japan and the Russian Federation chimed in as well. Mexico continued to seek and/or create a new consensus proposal, but other Committee members did not appear amenable to the idea. This time around the U.S. did not speak, and neither did the usual suspects, India, China, and Brazil.

¶4. The Committee quickly reviewed new tables presented by the Secretariat in answer to inquiries by the G-77 and EU. Debate began over the G-77 proposal of large scale-to-scale increases, with the EU countering by opting to keep the current but unofficial rule to use mitigation on a case-by-case basis rather than create a new mechanism (ref e). South Africa responded that the G-77 preferred to have a mechanism in place so that the most vulnerable countries most affected by large scale increases would not be subject to "pressures" by larger states, which had a habit of offering assistance in exchange for voting favors or support on other issues. Australia (on behalf of CANZ) noted inaccuracies with the G-77 proposal, saying it strayed from the principle of capacity to pay. He called their proposal a "benefit on top of an existing benefit." The Russian Federation delegate said his country supported the G-77. He said regardless of contribution to the Organization, all Member States were equal within the UN system.

¶5. Mexico interjected, offering a new solution to the scale that they claimed was fairer (ref e). He called for maintaining the current base period of six and three years. Mexico was also offering new LPCIA gradients of 85 percent for least developed countries, 75 percent for those states exceeding the current one percent of gross national income (GNI) threshold, and 80 percent for all other below the threshold. Mexico had been hit hard by scale increases in

USUN NEW Y 00002268 002 OF 002

2003 and 2004, but was doing much better today, he said. Although issues of economy were rather unpredictable, and that this methodology could perhaps hurt Mexico down the road, the Mexican delegate believed his country's proposal would please everyone. South Africa replied that the G-77 was not interested in any new methodology. No one else commented on the Mexican proposal.

¶6. South Africa tried numerous times to draw the U.S. into the discussion by commenting on the ceiling. She claimed that debate on proposals such as LPCIA or large scale-to-scale increases would not be necessary if the largest contributor paid its fair share. Her words garnered no reaction from the EU or CANZ. She once again told Japan they paid too much because of the U.S. ceiling. Ambassador Shinyo (Japan) replied that the ceiling was always part of the methodology, since it was better not to have too much reliance on one Member State. In other words, there was really no reason to discuss the issue, he said.

Meeting with the G-77 Chair

¶7. (C) Separately on December 14, Ambassador Wallace held a brief discussion with Ambassador Kumalo (South Africa), current G-77 Chair, concerning the current state of play in ongoing scale negotiations. Kumalo apologized to Wallace for giving the impression that he had been avoiding him, noting multiple demands on his time limited his availability. Kumalo noted it was still too early in the process to predict the final outcome, but that, off-the-record, Kumalo would not at all be surprised nor unhappy if the current methodology, with technical adjustments to address large scale-to-scale increases, was to remain in place for the period 2007-2009. Kumalo added that it was regrettable the U.S. and G-77 were beating each other up when the real obstacle to reaching consensus remained the EU. (NOTE: While Kumalo's private comments inspire confidence that the G-77 is not bent on

pressing for an increase in the ceiling to 25 percent, such an outcome at this stage is by no means a certainty. END NOTE).

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